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E 8-5587

14 August 1956

MEMORANDUM FOR Deputy Director (Support)

SUBJECT: CIA Legislative Proposals - FY/58

1. The purpose of this memorandum is to summarize, at least preliminarily, the status of legislation in the areas which CIA had proposed to cover through its own legislative proposals during the last session, and to urge that the interested offices begin thinking about the problem of what types of legislation we may wish to propose in the 85th Congress.

2. I believe it is important that we start working on these matters now, because a failure to be ready with approved legislative proposals at the early stages of the next Congress may cost us a year's delay, as it did this past session. You will recall that our recent legislative proposals were transmitted to the Budget Bureau in mid December; the Bureau finally cleared a greatly watered-down version of these proposals on 10 April, and they were forwarded to the Congress on 13 April. They were promptly introduced in the House (H. R. 10682) and in the Senate (S. 3851). By that time however the Armed Services Committees' legislative priorities had been firmly set, and we were not included, even though they had advance notice that we planned to propose certain types of legislation. We have been assured by both committees that renewed legislative proposals during the next session will be considered, but we cannot assume that this will actually be the case unless we are able to present them at an early stage in the session. Apart from the normal problems of getting committee action on this type of legislation, we will have the additional problem of facing a new Congress, the membership of which may be substantially revised as a result of the election.

3. The following is a summary of the elements of our own legislative proposals, with a brief analysis of what did and did not happen to them, and to other related legislative proposals.

A. Procurement. There was no serious disagreement with the Budget Bureau on our procurement proposals, contained in Section I of the proposed legislation. I don't know

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how the Congress would have reacted to them. A number of Armed Services procurement bills were introduced during the last session, and some were passed by the House, but none of any consequence were enacted. We should check in due course with the Department of Defense on any amendments which they may think of proposing to their own procurement legislation, as this may affect our own plans to some degree. The Office of Logistics should also consider any new legislative proposals which might be desirable for our purposes.

b. Territories and Possessions. CIA had initially proposed that the provisions for benefits to overseas employees be applied to those located in the territories and possessions as well as in foreign areas. The Budget Bureau disallowed this proposal on the grounds that our arguments did not reveal problems of territorial personnel management unique to the CIA, requiring all the special advantages proposed in . . . the draft. They added that our proposals would create immediate inequities among Federal territorial employees and might be regarded as a precedent for all territorial employees.

We were told that the whole problem of benefits to territorial employees was the subject of study by a special sub-cabinet group, with the inference that there would be important policy decisions in the near future. I don't know the exact status of this matter. It is worth noting, however, that the Administration proposals for an overseas health and medical services act (to be discussed later) define overseas as foreign areas, Pacific Trust Territories, and territories and possessions designated by the President as 'overseas' by reason of adverse health conditions or unavailability or inadequacy at such places of suitable non-Federal health and medical services or facilities. An overseas allowances bill, which I believe also reflected the Administration position, defines foreign areas as all areas outside of the U. S., including . . . the Trust Territory of the Pacific Islands and bases leased by the U. S. in foreign areas, but excluding the Canal Zone, and the territories and possessions of the United States.

I assume that CIA still feels strongly that personnel in the territories and possessions should be covered if at all possible. I recommend that as a first step we informally explore with the Budget Bureau the exact status of Administration thinking on the policy problem.

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Commuted Per Diem. CIA had proposed originally an authorization for the Director to pay per diem allowances on a commuted basis, whenever he considered that it was in the interest of the Government to do so. The Budget Bureau argued that administrative measures under existing law could achieve the purposes of this language, and we dropped our proposal on this basis. I mention this simply as a matter which should be rechecked when we consider our new proposals.

Allowances. On 9 July 1956, S. 4186 and H. R. 12194 were introduced, identified as the Foreign Areas Allowances Act of 1956. I believe these bills contain the Administration proposals for a comprehensive overseas allowances act. The geographical coverage of these bills is described in paragraph B above. It contains provisions on tax exemptions for allowances, quarters allowances, cost of living allowances (including education, transportation of dependents for schooling, etc.), post differentials, representation expenses and storage and transportation of household effects. It specifically repeals all sections of the Foreign Service Act covering similar items, and further provides that any other statute which is inconsistent with the new provisions of this Act shall be considered as having been amended or superseded by such provisions.

These bills were introduced too late in the session to move anywhere, and hence will have to be reintroduced in the next Congress. They do appear to represent, however, the Administration position on this range of problems, and should be studied with some care in connection with any proposals we might make in this field. It is recommended that we analyze the proposals in these bills and compare them with the provisions in the CIA proposed legislation, and that we be prepared to discuss the matter informally with the Budget Bureau in the near future.

Medical Benefits. You will recall that on 14 June 1956 CIA formally commented on the Administration proposals for an Overseas Health and Medical Services Act of 1956. In this letter we raised some technical questions, but concluded our comments by saying that we would not request an exception from the bill unless the Department of State was granted such an exception. I believe that the consensus of opinion here was that the Administration bill, with certain

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amendments suggested by us, was by and large satisfactory for our purposes.

On 11 July 1956, the Administration proposals were introduced (H. R. 12193). They included certain amendments we had suggested. The geographical coverage of this bill is described in paragraph B above. This bill was never introduced on the Senate side, and it did not move in the House. We may assume, however, that these or similar proposals will be renewed in the next Congress. The bill expressly repeals the overseas medical benefits provisions of section 941 and 942 of the Foreign Service Act, and section 5 (a)(3) of the Central Intelligence Agency Act of 1949.

It is recommended that we reconsider the adequacy of the provisions in this bill. A policy decision will be needed on the question of whether we should continue to press for separate provisions in this field in the CIA legislative proposals. You will note that the Foreign Service Act amendments which were enacted during the last session of the 84th Congress (P. L. 828) contained medical benefits provisions similar to those which we had requested. These provisions differed somewhat from the provisions originally requested by the State Department, which were identical with our proposals. The changes were in the direction of liberalizing rather than restricting the provisions, however, and I assume we would incorporate these changes in the event that we submit new proposals in the next Congress.

F. Death Gratuity. CIA had originally proposed a \$1000 death gratuity. This was killed by the Budget Bureau, and without any strong protest on the part of CIA. I assume that we will not revive this request.

G. Retired Military Officers. Section 3 of H. R. 19682 and S. 3851 proposed an amendment which would raise from 15 to 35 the limit on retired military officers who might be hired by the Agency. Although this provision was approved by the Budget Bureau without any particular comment, I was told informally by the counsel of the House Armed Services Committee that this provision would not survive the Committee's consideration of our bill. There is evidently a strong prejudice against this sort of thing in that committee, and possibly on the Senate side as well. The fact that the enlarged ceiling was recommended by the Mark Clark Task Force does not give it

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any additional appeal.

I believe that we should reconsider whether or not this proposal should be renewed in the next Congress.

H. Retirement. You will recall that the proposed retirement provisions for employees who have served overseas were the subject of considerable argument with the Budget Bureau. At a meeting of the CIA Career Council on 29 March 1956, it was decided that the Budget Bureau counter-proposals on this matter were completely unacceptable to the Agency, and inasmuch as no useful compromise appeared possible we dropped our retirement proposals in order not to delay the forwarding of our legislation to the Congress.

I don't know whether the new retirement act (P. L. 854, 84th Congress) has any effect on the Agency position on computation of eligibility for overseas service. Whether or not it does, however, it is recommended that informal discussions be held with the Budget Bureau in the near future to determine the status of Administration thinking, if any, on this problem. You will recall that in discussions with CIA representatives, the Budget Bureau people indicated that there was in the works a government-wide proposal on this matter.

In considering retirement proposals, we should bear in mind that the Budget Bureau did clear for submission to the Congress a section in the USIA legislative proposals which provided that "the Director may establish an independent retirement and disability system for the benefit of United States Information Officers based on the provisions of the Foreign Service Act of 1946 as heretofore and hereafter amended. The bill containing this provision (S. 3638) passed the Senate but was never reported out of committee on the House side.

4. In summary, it is recommended that the General Counsel, Personnel, Comptroller, Logistics, Medical Staff, and other interested Offices reexamine the adequacy of the legislative proposals which CIA has put forward in their areas of responsibility, and also determine whether they wish to make any new or different proposals. After permitting a reasonable time for this process, it is recommended that the DD/S convene a meeting of all interested Offices to discuss the matters raised in this memorandum plus any new items which may be relevant. Following this, it is proposed that exploratory sessions be held with the Bureau

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of the Budget to establish the current Administration position on a number of items and to make preliminary arrangements so that we can begin the Bureau clearance process at the earliest possible date.

/s/ Norman S. Paul

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CONCUR:

/s/ Lyman K. Keady

SEP 7 1956

Inspector General

Date

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